



Fair Political Practices Commission

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NEWS RELEASE

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Commission, Bustamante agree to \$263,000 civil settlement *Penalty largest ever paid by candidate in FPPC action*

The Fair Political Practices Commission has reached a \$263,000 civil settlement with Lt. Governor Cruz Bustamante and three of his campaign committees – “Lieutenant Governor Bustamante 2002 Committee,” “Yes on Bustamante,” and “The Bustamante Committee Against Prop. 54” – for manipulating funds and mischaracterizing transactions in order to evade contribution limits in the Oct. 7, 2003, gubernatorial election.

The FPPC suit alleged that Bustamante and his committees raised funds for Bustamante’s campaign for governor, deposited the funds into the bank account of the lieutenant governor’s 2002 re-election committee, and mischaracterized the contributions as contributions to the 2002 committee – a committee which was not subject to contribution limits – all in order to collect \$3.8 million dollars in excess of the limits.

The final judgment, based on a stipulation signed by the FPPC and Bustamante, was approved yesterday (April 12) by Sacramento Superior Court Judge Loren McMaster, who said in his order that the court “finds the proposed settlement to be fair, just, and reasonable to all parties.”

FPPC Enforcement Division Chief Steven Russo said the fine in the case “is the largest ever paid by a candidate for violating the Political Reform Act, and reflects the seriousness of the violations. We arrived at the fine amount by imposing the maximum fine that may be imposed for the contribution-limit violations (\$80,000), with additional amounts for the bank account and reporting violations.”

“Enforcement staff did an excellent job of investigating this matter and bringing the case to a swift resolution,” Russo added. “The fine sends a strong message that candidates must adhere to the contribution limits imposed by the voters through Proposition 34.”

The civil lawsuit was filed by the FPPC in Sacramento Superior Court on Jan. 7, 2004, and amended March 29 to add The Bustamante Committee Against Prop. 54 and additional details about the defendants’ conduct. After the lawsuit was filed, the parties held discussions that led to the filing of a stipulated judgment settling the case. The complaint, amended complaint, stipulation and judgment are available under “Litigation” on the FPPC website.

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According to documents filed in the case, the defendants raised money in excess of the applicable contribution limits for the gubernatorial campaign into the re-election committee, then immediately transferred the money from the re-election committee to the gubernatorial committee and spent it on gubernatorial campaign expenditures. During the election, the maximum contribution a candidate for governor was allowed to receive was \$21,200 per contributor.

In addition, the defendants paid for fundraising and other expenses for the governor's race out of the unlimited re-election committee rather than the gubernatorial committee.

Between Aug. 8 and Sept. 22, 2003, Bustamante and his committees received at least 39 contributions, totaling approximately \$4 million, to support his campaign for governor. They unlawfully deposited those contributions into the campaign bank account for the lieutenant governor's 2002 re-election committee. According to the lawsuit, the defendants did so in order to make it appear that those contributions were not subject to limits.

Under state law, funds collected to run for a particular office may only be deposited into a single bank account established for election to that office, and the funds spent to run for the office can only be spent from that same account.

As a result of their committee bank account practices, the defendants received 16 contributions to support Bustamante's campaign for governor that were approximately \$3.8 million in excess of the contribution limits applicable to that election.

Finally, prior to the Oct. 7, 2003, election, Bustamante and his committees unlawfully reported, both electronically and on paper, contributions and expenditures for the gubernatorial campaign, as being the contributions, and expenditures of the lieutenant governor's 2002 re-election committee – instead of the Bustamante gubernatorial committee. The contributions totaled approximately \$4,065,500, and the expenditures approximately \$281,338.

An administrative action is the FPPC's more common method of prosecution in enforcement matters. Due to the nature of the violations, the commission decided to prosecute the matter through a civil lawsuit, which allows for higher penalties. The penalty paid by the defendants in this settlement is the highest penalty ever paid by a candidate in an FPPC enforcement matter.

Commission Senior Counsel Deanne Canar and Investigator III Jon Wroten handled the case for the FPPC.

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